

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grand Ledge Area District Library	County Eaton
Fiscal Year End 6/30/06	Opinion Date 9/8/06	Date Audit Report Submitted to State 10/6/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

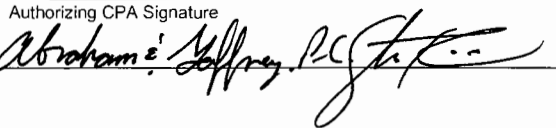
SE  
Z

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	None	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic	License Number 1101022020

**Grand Ledge Area District Library  
Grand Ledge, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2006**

Grand Ledge Area District Library

Grand Ledge, Michigan

BOARD OF TRUSTEES

June 30, 2006

Ms. Joan Kane	President
Mr. Kevin Garthe	Vice-President
Ms. Susan Shiflett	Secretary
Ms. Jeanne Garthe	Trustee
Mr. Jim Hogan	Trustee
Ms. Martha Parks	Trustee
Ms. Sherry Wellman	Trustee

Grand Ledge Area District Library

TABLE OF CONTENTS

June 30, 2006

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-v
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	6
Notes to Financial Statements	7-14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	15

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Grand Ledge Area District Library  
Grand Ledge, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Grand Ledge Area District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Ledge Area District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the governmental activities and the major fund of the Grand Ledge Area District Library as of June 30, 2006, and the change in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 8, 2006

# **Grand Ledge Area District Library Management's Discussion and Analysis**

## **New Financial Reporting**

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2006 and also provides a comparison with the financial activities of the prior fiscal year. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

## **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,105,848 (net assets) at the government-wide level.
- The Library's total net assets increased by \$110,835, as a result of current year activity at the government-wide level.
- Unreserved fund balance increased by \$65,083 as result of revenues exceeding expenditures in the current year at the fund level.

## **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Grand Ledge Area District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Grand Ledge Area District Library in more detail than the government-wide financial statements by providing information about the Library's most significant fund.

# Grand Ledge Area District Library Management's Discussion and Analysis

## The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2005.

	June 30,	
	2006	2005
<b>Assets</b>		
Current assets	\$ 742,616	\$ 691,657
Capital assets	<u>422,128</u>	<u>375,496</u>
Total assets	1,164,744	1,067,153
<b>Liabilities</b>		
Current liabilities	20,706	34,127
Noncurrent liabilities	<u>38,190</u>	<u>38,013</u>
Total liabilities	<u>58,896</u>	<u>72,140</u>
<b>Net Assets</b>		
Invested in capital assets	422,128	375,496
Unrestricted	<u>683,720</u>	<u>619,517</u>
Total net assets	<u>\$ 1,105,848</u>	<u>\$ 995,013</u>

The Library's total net assets were \$1,105,848 at June 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$683,720 at the end of the fiscal year. The net assets invested in capital assets were at \$422,128.

The following table shows the changes in net assets during the current year and the prior year.

	June 30,	
	2006	2005
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 11,220	\$ 9,080
Operating grants and contributions	7,937	29,889
General revenue:		
Property taxes	523,442	499,637
State Aid - unrestricted	11,235	13,526
Penal Fines	77,516	72,800
Interest	28,168	11,533
Miscellaneous	<u>1,944</u>	<u>1,556</u>
Total revenues	661,462	638,021
<b>Program Expenses</b>		
Library services/operation	<u>550,627</u>	<u>522,706</u>
<b>Change in Net Assets</b>	<u>\$ 110,835</u>	<u>\$ 115,315</u>

# **Grand Ledge Area District Library Management's Discussion and Analysis**

## **Governmental Activities**

The Library's governmental revenues totaled \$661,462 with the greatest revenue source being property taxes levied by the district. Property taxes make up approximately 79.1 percent of total governmental revenue.

The Library incurred expenses of \$550,627 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the library service function.

## **The Library's Fund**

The analysis of the Library's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the specific fund, not the Grand Ledge Area District Library as a whole. The Grand Ledge Area District Library's Board of Trustees may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's only fund for the fiscal year ended June 30, 2006 was the General Fund.

The General Fund pays for the Library's governmental services. The sole service provided during the fiscal year was library services, which incurred expenditures of \$596,379 for the fiscal year at the fund level.

## **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to increase the budget for building improvements. This increase was due to incurring more capital projects than originally planned.

Actual interest revenue was slightly larger than budgeted as a result of a higher balance being invested than previously was planned.

Actual expenditures were less than budgeted by approximately \$66,000 due to overall less costs being incurred on salaries, benefits, and technology services than was initially planned.

## **Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$442,128 invested in land, building and improvements, equipment, furniture, and books (net of accumulated depreciation). The main capital assets added were \$2,294 in an outdoor book return, \$9,093 in sidewalk repairs, and \$32,482 in a canopy entrance.

No debt was issued during the fiscal year. The Library had no bonded indebtedness at June 30, 2006. The only long-term debt the Library had at June 30, 2006 was compensated absences (as detailed in Note D) in the amount of \$44,041. This amount increased \$880 in the current year.

## **Next Year's Millage Rate**

At a Special Meeting on May 31, 2006, the Library Board approved certifying a tax levy of 1.157 mills for the fiscal year 2006-2007. Based on the current taxable value of property in the Library's District, this will generate approximately \$583,000, less an estimated tax capture of approximately \$20,000 by the City of Grand Ledge's Downtown Development Authority.



# **Grand Ledge Area District Library Management's Discussion and Analysis**

## **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library's Financial Office at 131 East Jefferson Street, Grand Ledge, Michigan 48837. Phone: (517) 627-7014.

## **BASIC FINANCIAL STATEMENTS**

## Grand Ledge Area District Library

## STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 734,825
Taxes receivable	2,152
Due from other governmental units	5,639
	<hr/>
TOTAL CURRENT ASSETS	742,616
Noncurrent assets	
Capital assets not being depreciated	28,461
Capital assets, net of accumulated depreciation	393,667
	<hr/>
TOTAL NONCURRENT ASSETS	422,128
	<hr/>
TOTAL ASSETS	1,164,744
LIABILITIES	
Current liabilities	
Accounts payable	8,786
Accrued liabilities	6,069
Current portion of compensated absences payable	5,851
	<hr/>
TOTAL CURRENT LIABILITIES	20,706
Noncurrent liabilities	
Accrued compensated absences	38,190
	<hr/>
TOTAL LIABILITIES	58,896
NET ASSETS	
Invested in capital assets	422,128
Unrestricted	683,720
	<hr/>
TOTAL NET ASSETS	\$ 1,105,848

See accompanying notes to financial statements.

## Grand Ledge Area District Library

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Recreational and cultural				
Library services/operation	\$ 550,627	\$ 11,220	\$ 7,937	\$ (531,470)
General Revenues				
Property taxes				523,442
State aid - unrestricted				11,235
Penal fines				77,516
Interest				28,168
Miscellaneous				1,944
TOTAL GENERAL REVENUES				642,305
CHANGE IN NET ASSETS				110,835
Net assets, beginning of year				995,013
Net assets, end of year				\$ 1,105,848

See accompanying notes to financial statements.

## Grand Ledge Area District Library

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

## ASSETS

Cash and cash equivalents	\$ 734,825
Taxes receivable	2,152
Due from other governmental units	<u>5,639</u>

TOTAL ASSETS	<u><u>\$ 742,616</u></u>
--------------	--------------------------

## LIABILITIES AND FUND BALANCES

## LIABILITIES

Accounts payable	\$ 8,786
Accrued liabilities	<u>6,069</u>

TOTAL LIABILITIES	14,855
-------------------	--------

## FUND BALANCE

## Fund balances

## Unreserved

Designated for endowments	11,500
Designated for emergency repairs	25,000
Designated for new construction	202,000
Designated for technology	104,000
Designated for improvements	50,000
Designated for building	35,000
Undesignated	<u>300,261</u>

TOTAL FUND BALANCE	<u>727,761</u>
--------------------	----------------

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 742,616</u></u>
---------------------------------------	--------------------------

See accompanying notes to financial statements.

Grand Ledge Area District Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2006

**Total fund balance - governmental funds** \$ 727,761

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 701,690	
Accumulated depreciation is	<u>(279,562)</u>	
		422,128

Long-term liabilities, are not due and payable in the current period and therefore  
are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued compensated absences payable	<u>(44,041)</u>
--------------------------------------	-----------------

**Net assets of governmental activities** \$ 1,105,848

See accompanying notes to financial statements.

Grand Ledge Area District Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2006

REVENUES	
Local sources	\$ 650,227
State sources	11,235
	<hr/>
TOTAL REVENUES	661,462
EXPENDITURES	
Recreation and cultural	
Salaries and wages	291,576
Fringe benefits	68,083
Utilities	11,784
Supplies	24,648
Technology services	4,595
Periodicals	3,436
Insurance	9,554
Contracted services	41,672
Rent	4,800
Audiovisual	12,853
Programming	1,378
Miscellaneous	10,074
Capital outlay	
Books and other materials	41,740
Furniture and equipment	10,589
Building improvements	59,597
	<hr/>
TOTAL EXPENDITURES	596,379
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	65,083
Fund balance, beginning of year	662,678
	<hr/>
Fund balance, end of year	\$ 727,761
	<hr/>

See accompanying notes to financial statements.

Grand Ledge Area District Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2006

**Net change in fund balances - total governmental funds** **\$ 65,083**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 96,179	
Depreciation expense	<u>(49,547)</u>	
Excess of capital outlay over depreciation expense		46,632

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences payable	<u>(880)</u>
--	--------------

**Change in net assets of governmental activities** **\$ 110,835**

See accompanying notes to financial statements.



Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Under Public Act 24 of 1989, the City of Grand Ledge, the Charter Township of Oneida, and the Grand Ledge Public Schools created the Grand Ledge Area District Library which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The local municipalities within the Libraries boundaries collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library. The District Library consists of all territory which is located in the limits of the City of Grand Ledge, Oneida Charter Township, and Grand Ledge Public Schools except for those territories within the School District which are served already by other District Libraries.

The governing body of the Library is a board which is comprised of seven (7) members elected in accordance with the provisions of the District Library Establishment Act (MCL 397.171).

The Grand Ledge Area District Library's goal is to provide quality library service to Grand Ledge area residents by improving library service and encouraging educational advancement.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Grand Ledge Area District Library (primary government). The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The General fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The major fund of the Library is:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

The Library reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Library receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

6. Cash and cash equivalents

Cash and cash equivalents consist of checking and savings accounts, a certificate of deposit, and a governmental operating money market fund account.

7. Receivables

Receivables consist of general accounts receivable and property taxes due from other governments.

8. Capital Assets

Capital assets include land, buildings, equipment, and books and are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. All assets with a useful life exceeding three (3) years and with a cost of \$1,000 or more, except building improvements which must have a cost of \$5,000 or more, are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment and furniture	5 - 20 years
Books	7 years

The Library has no assets that would be classified as infrastructure assets.

9. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Library has recorded all liabilities associated with compensated absences. Accumulated vested sick and vacation pay amounts and nonvested sick and vacation pay amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a noncurrent liability in the government-wide financial statements.

Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the municipalities Treasurers. At March 1 each year the municipalities settle their delinquent taxes with their respective County Treasurers' and the unpaid real property tax is remitted to the Library by the County Treasurers in Clinton and Eaton Counties. Delinquent personal property taxes are retained by the local municipalities Treasurers for subsequent collection. The Library is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. For the year ended June 30, 2006, the Library levied 1.1623 mills.

11. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Grand Ledge Area District Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Deposits of the Grand Ledge Area District Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Grand Ledge Area District Library. There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it.

As of June 30, 2006, the carrying amount of the Library's deposits was \$308,690 and the bank balance was \$311,596 of which \$305,000 was covered by federal depository insurance. The balance of \$6,596 was uninsured. The Library had \$300 of imprest cash on hand.

As of June 30, 2006, the carrying amount and market values for each investment are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds	<u>\$ 425,835</u>	<u>\$ 425,835</u>	Unknown

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the Library's investment in uncategorized pooled investments was not rated.

Interest rate risk

The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Grand Ledge Area District Library  
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated				
Land	\$ 28,461	\$ -	\$ -	\$ 28,461
Capital assets being depreciated				
Buildings and improvements	387,267	47,324	-	434,591
Equipment, furniture, and books	<u>193,596</u>	<u>48,855</u>	<u>( 3,813 )</u>	<u>238,638</u>
Subtotal	580,863	96,179	( 3,813 )	673,229
Less accumulated depreciation for:				
Buildings and improvements	( 163,240 )	( 17,022 )	-	( 180,262 )
Equipment, furniture, and books	<u>( 70,588 )</u>	<u>( 32,525 )</u>	<u>3,813</u>	<u>( 99,300 )</u>
Total accumulated depreciation	<u>( 233,828 )</u>	<u>( 49,547 )</u>	<u>3,813</u>	<u>( 279,562 )</u>
Net capital assets being depreciated	<u>347,035</u>	<u>46,632</u>	<u>-0-</u>	<u>393,667</u>
Capital assets, net	<u>\$ 375,496</u>	<u>\$ 46,632</u>	<u>\$ -0-</u>	<u>\$ 422,128</u>

Depreciation expense was wholly allocated to the lone governmental function (recreation and cultural) in the amount of current depreciation expense of \$49,547.

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the Library for the year ended June 30, 2006.

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	<u>\$ 43,161</u>	<u>\$ 880</u>	<u>\$ -0-</u>	<u>\$ 44,041</u>	<u>\$ 5,851</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

**Compensated Absences**

In accordance with Library personnel policies, individual employees have rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the personnel policies.

The dollar amount of these rights (vested and probable to vest) including related payroll taxes amounted to \$44,041 for vacation and sick at June 30, 2006. This amount has been accrued entirely in the government-wide financial statements.

Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: RETIREMENT PLAN**

The Library is the sponsor of a retirement plan for the sole benefit of its employees. The Library Pension Plan is a money purchase defined contribution pension benefit plan and trust. Contributions are based on a preestablished wage-based contribution schedule with the Library contributing 100% of the contribution amount. During the year ended June 30, 2006, the Library made contributions for all participating employees based on the percentages as detailed in the plan for each eligible employee's compensation.

All full-time employees working over 35 hours on a regular basis are eligible to participate in the plan. All eligible employees participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with Nationwide Retirement Solutions.

For the year ended June 30, 2006, the Library had a total payroll of \$291,576. The Library Retirement Plan covered a payroll of \$104,730. The Library made contributions to the retirement plan in the amount of \$22,742.

**NOTE F: RISK MANAGEMENT**

The Library is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The Library has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the Library and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Grand Ledge Area District Library with loss protection for general liability and property and crime damage. Under most circumstances the Library's maximum loss per occurrence is limited. The Library is a state pool member as it relates to self-inured retention.

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Grand Ledge Area District Library incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

The Library is exposed to various risks of loss for workers' compensation and employers liability for which the Library carries commercial insurance.

Grand Ledge Area District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE G: FUND BALANCE DESIGNATIONS**

Designated fund balance in the Fund financial statements indicates that portion of fund balance which the Library has set aside for specific purposes by management.

The following are the fund balance designations as of June 30, 2006:

General	
Designated for endowments	\$ 11,500
Designated for emergency repairs	25,000
Designated for new construction	202,000
Designated for technology	104,000
Designated for improvements	50,000
Designated for building	<u>35,000</u>
	<u>\$ 427,500</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

## Grand Ledge Area District Library

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 525,018	\$ 523,018	\$ 523,442	\$ 424
Penal fines	72,000	72,000	77,516	5,516
Intergovernmental - state aid	13,500	13,500	11,235	(2,265)
Donations - private sources	1,367	8,267	7,937	(330)
Interest	6,000	25,000	28,168	3,168
Library fees and fines	9,100	9,100	11,220	2,120
Miscellaneous	1,700	1,700	1,944	244
TOTAL REVENUES	628,685	652,585	661,462	8,877
EXPENDITURES				
Recreation and cultural				
Salaries and wages	335,364	331,364	291,576	39,788
Fringe benefits	83,470	76,570	68,083	8,487
Utilities	13,000	13,150	11,784	1,366
Supplies	27,974	27,974	24,648	3,326
Technology services	27,460	8,460	4,595	3,865
Periodicals	5,600	4,600	3,436	1,164
Insurance	10,000	10,000	9,554	446
Contracted services	38,350	42,350	41,672	678
Rent	4,800	4,800	4,800	-0-
Audiovisual	12,000	13,000	12,853	147
Programming	2,000	2,000	1,378	622
Miscellaneous	15,767	14,617	10,074	4,543
Capital outlay				
Books and other materials	40,000	42,000	41,740	260
Furniture and equipment	5,000	11,900	10,589	1,311
Building Improvements	7,900	60,900	59,597	-0-
TOTAL EXPENDITURES	628,685	663,685	596,379	66,003
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(11,100)	65,083	74,880
Fund balance, beginning of year	662,678	662,678	662,678	-0-
Fund balance, end of year	\$ 662,678	\$ 651,578	\$ 727,761	\$ 74,880